

## **SBC - Nevada Study**

### **Presubscribed Interexchange Carrier (PIC) Change Charge Nonrecurring Cost Study**

**2005 - 2008**

**August 2005**



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## **Overview and Methodology**

### **Purpose**

The purpose of this cost study is to provide updated costs for PIC Change orders. For reference, an acronym glossary is included as a separate tab within this cost study.

### **Service Description**

Presubscription is a procedure whereby an end user may select and designate to the Telephone Company an Interexchange Carrier (IC) to access, without dialing an access code, for interLATA calls. This IC is referred to as the end user's primary IC. A charge associated with interLATA is a PIC.

### **Rate Element Descriptions**

Combination Manual PIC/LPIC Charge, Cost per Change  
Combination Mechanized PIC/LPIC Charge, Cost per Change

### **Activity-Based Costing**

Activity-Based Costing is a widely used method of identifying costs. The structure of an ABC study is based on the fact that activities performed by the company consume resources, and these resources have a specifically identifiable cost. Activities, then, are used to provide services. This gives a logical, easy-to-follow flow through the costing procedure.

Activity-Based Costing uses a number of specific terms, such as *resource*, *activity*, *cost object*, and *drivers* which have simple, yet special meanings.

- A *resource* can be a piece of equipment, a labor rate, or a vendor contracted expense.
- An *activity* is an action that consumes resources. The cost of the activity is calculated based on the cost of the resources that the activity consumes, and the resource driver, or the quantity of resources the activity consumes.
- A *cost object* is a product (i.e., PIC Change).
- *Drivers* are specific units that represent quantities of activities and resources. For example, time in minutes, or orders per line may be drivers. Resource drivers are the quantity of resources consumed by an activity. Activity drivers are the number of activities necessary to provide the service.

#### **The Basics of Activity-Based Costing are:**

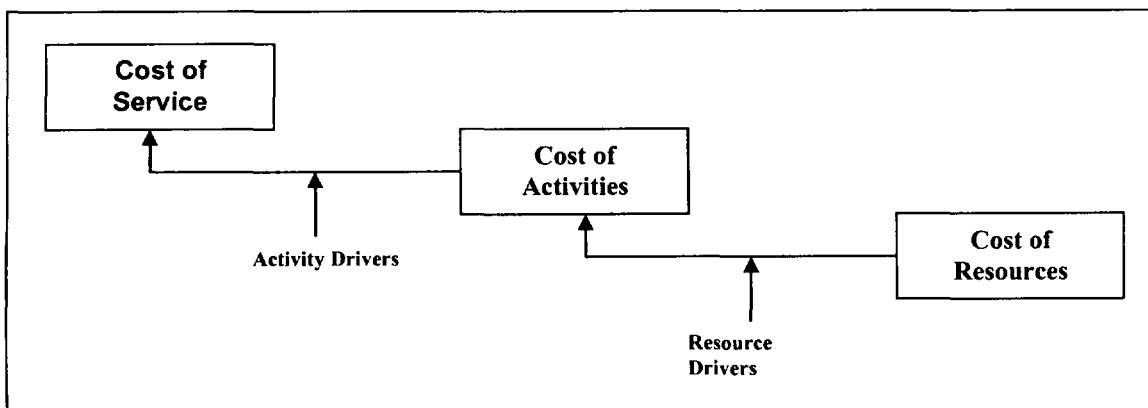
- Cost objects (i.e., services) are provided by activities.
- Activities consume resources.
- Consumption of resources drives costs.

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Figure 1 illustrates the flow of Activity-Based Costing.

**Figure 1**



### **Line and Change Quantity Efficiency**

End user may have more than one access line and ask to have their PIC changed on multiple lines on the same request (or order). In addition, on the same request, the same end user may also request LPIC changes on the same lines. There are efficiencies associated with performing PIC changes on multiple lines and performing a LPIC change at the same time as a PIC change. This efficiency is included in the cost results.

The SMEs provided time estimates that represent the total activity time required to make all changes on all lines on an average size request. In other words, the SMEs, based on their experience processing requests, estimated an average number of changes required on a request and provided the total time to process all changes. The Bill of Costs tab adjusts the per request manual costs to per change by multiplying the resulting business channel costs by orders per change (or the inverse of changes per order), thereby accounting for any line and change quantity efficiencies resulting from multiple lines or changes per line on the same request.

### **Labor Rates**

The labor rate represents the cost to SBC of a single hour of labor. The labor rate is inflated (based on the Consumer Price Index) to the study period to make the labor cost representative of the period under study. A more detailed discussion of labor rates and inflation factors is found later in this methodology.

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### **Inflation Factors**

Inflation Factors are utilized to apply the appropriate labor cost for the study period. The inflation factors are developed by using the forecast of the Consumer Price Index (CPI). The CPI represents changes in prices of all goods and services purchased for consumption by urban households. User fees (such as water and sewer service) and sales and excise taxes paid by the consumer are also included. Income taxes and investment items (like stocks, bonds, and life insurance) are not included.

### **Labor Rate Development Methodology**

Labor rates identify the cost to the firm of consuming a particular resource—an hour of labor. Labor rates begin with a basic hourly wage or salary, and then include costs directly caused by labor that are not captured in the basic wage. These other direct labor costs include:

- break time and/or tour length costs,
- paid absence costs,
- special payments such as team awards and recognition,
- payroll taxes, pension costs, benefit costs,
- support assets, including capital costs associated with support assets
- Other direct costs such as travel and training, and clerical support and supervision.

Labor rates are developed at the proper level of detail to provide accurate costs for specific activities. First, SBC looks at specific groups of function codes (which designate a specific job function) or activity codes (which designate a specific job activity). These function/activity codes are part of SBC's functional accounting system used to report expenses company-wide. For example, 21XX is the group of all wages and expenses charged to function codes or activity codes that begin with "21", which in this example represents Operator Services functions and activities.

Within the specific group, SBC develops labor rates by Market Zone (for management employees) or Wage Category (for non-management employees). The Market Zone and Wage Category are specific job classifications that determine how much the company pays for a particular job.

The Labor rates in this study begin with an average wage per hour from payroll records. SBC derives relationships of expenses to wages, or expenses to hours worked, to develop labor factors or loadings that it then applies to basic wages to produce total hourly labor cost. All base labor rates in this study represent calendar year 2003. If SBC did not have current labor base rates for a particular state or job title, the most recent labor rate available was adjusted by bringing the basic wage portion of the labor rate current and updating the benefit factor using the most recent data available.

For more information, separate Labor Rate Development documentation is available.

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## **Overview and Methodology**

### **Cost Study Assumptions and Parameters**

- TSLRIC Methodology
- Slamming costs are included in the PIC change charge
- Study period is 2005 – 2008, midpoint 2006
- Labor Rates are base year 2003 adjusted to 2006

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<b>Results</b>					
(A)	(B)	(C)	(D)	(E)	
Line	Cost Element	Total Cost	Overhead Factor	Total Rate	
	Source: <i>Bill of Costs</i>	Source: <i>Input</i>	Source: $(E) = (C) \times (1+D)$		
1	<b>Manual PIC / LPIC Combination, Cost per Change</b>	\$3.44	32.17%	\$4.55	
2	<b>Mechanized PIC / LPIC Combination, Cost per Change</b>	\$1.78	32.17%	\$2.35	

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<b>Bill of Costs</b>						
(A)	(B)	(C)	(D)	(E)	(F)	(G)
Ln	Cost Element / Activities	Unit Activity Coat Source: BOAC	Activity Driver (Orders per Change) Source: Drivers	Other Activity Driver Source: Drivers	Activity Driver Description	Activity Coat (G=C*D*E)
<b>Manual PIC / LPIC Combination, Cost per Change</b>						
1	Change PIC/LPIC for "Consumer - Service Representative"	\$3.50	0.51	88.1%	% manual orders worked by Consumer Service Representative	\$1.574
2	Change PIC/LPIC for "Global Markets" customer	\$38.98	0.02	0.7%	% manual orders worked by Global Markets center	\$0.005
3	Change PIC/LPIC for "Signature Accounts" customer	\$7.13	0.21	1.7%	% manual orders worked by Signature Accounts center	\$0.026
4	Change PIC/LPIC for "Value" customer	\$7.13	0.30	7.1%	% manual orders worked by Value Center	\$0.151
5	Change PIC/LPIC for "Large Business" customer	\$14.96	0.14	2.4%	% manual orders worked by Large Business center	\$0.043
6	Provide Customer Account Record Exchange (CARE) support - All PIC and/or LPIC Changes	\$18,937.74	0.00000822	1/Total PIC/LPIC Transactions		\$0.156
7	Provide Slammer Administration support - All PIC and/or LPIC Changes	\$69,383.80	0.00000822	1/Total PIC/LPIC Transactions		\$0.570
8	Provide Service Order Computer Cost per PIC Change	\$0.98	0.392	Weighted Average PIC/LPICs Orders per Change		\$0.384
9	Provide PIC IT Cost per PIC Change	\$0.46	n/a	n/a		\$0.460
10	Provide IT Implementation Cost per PIC Change	\$0.06	n/a	n/a		\$0.063
11	Total Cost > SUM (LN 1.....10)					\$3.44
<b>Mechanized PIC / LPIC Combination, Cost per Change</b>						
12	Provide Customer Account Record Exchange (CARE) support - All PIC and/or LPIC Changes	\$18,937.74	0.00000822	1/Total PIC/LPIC Transactions		\$0.156
13	Provide Customer Account Record Exchange (CARE) support - Mechanized PIC and/or LPIC Changes	\$5,531.98	0.00002689	1/Mechanized PIC/LPIC Transactions		\$0.149
14	Provide Slammer Administration support - All PIC and/or LPIC Changes	\$69,383.80	0.00000822	1/Total PIC/LPIC Transactions		\$0.570
15	Provide Service Order Computer Cost per PIC Change	\$0.98	0.392	Weighted Average PIC/LPICs Orders per Change		\$0.384
16	Provide PIC IT Cost per PIC Change	\$0.46	n/a	n/a		\$0.460
17	Provide IT Implementation Cost per PIC Change	\$0.06	n/a	n/a		\$0.063
18	Total Cost > SUM (LN 12.....17)					\$1.78

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<b>Bill of Activity Costs</b>							
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
Activities / Resources			Workgroup	Job Title	Unit Resource Cost (\$/hr)	Resource Drivers Percent	Resource Cost
					Source: BORC	Source: Input	(H=E*F*G)
<b>Change PIC/LPIC for "Consumer - Service Representative"</b>							
1	Receive request from end user or IXC via the IVR and deliver to the next available service representative. Screen Pop provides customer information. Service Representative greets customer.	Consumer	Service Representative	\$60.65	0.75	100.00%	\$0.76
2	Obtain customer information and access account in BOSS/Dashboard. Verify account by requesting bill name, password, SSN or customer code. Clarify request, PIC, LPIC or both. Determine telephone numbers where changes are to be made.	Consumer	Service Representative	\$60.65	0.83	100.00%	\$0.84
3	Access EASE to make PIC/LPIC change. validate carrier availability.	Consumer	Service Representative	\$60.65	0.75	100.00%	\$0.76
4	Set KID PN if customer alleges SLAM	Consumer	Service Representative	\$60.65	1.50	5.00%	\$0.08
5	Transfer customer to Third Party Billing Center if disputed third party billed charges. Make a BOSS notation.	Consumer	Service Representative	\$60.65	0.50	4.00%	\$0.02
6	Recap all elements of the order, provide due dates, charges and usage plans. In EASE on products screen add TPV reference line.	Consumer	Service Representative	\$60.65	1.00	100.00%	\$1.01
7	Log onto OGSL screen in SORD pull up order by area code Work CMS second attempt. Access order/customer account in various systems to determine where fallout occurred. If TPV completed release order and disposition in various systems, if not completed disposition in various systems, send Auto Letter and delete order.	Consumer	Service Representative	\$60.65	0.50	2.30%	\$0.01
8	Unit Activity Cost > SUM (LN 1....8)						
9							\$3.50

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<b>Change PIC/LPIC for "Global Markets" customer</b>						
<b>Bill of Activity Costs</b>						
10	Change PIC/LPIC request from customer via faxes or emails to center. Customer records are reviewed.	BCS	Service Representative	\$60.65	1.15	100.00%
11	Receive Fax email requests. Copies are pulled and fax cover sheet is prepared that will be returned to the customer with order info.	BCS	Provisioning Specialist	\$0.00	2.00	100.00%
12	Log in fax/email for tracking.	Global	Provisioning Specialist	\$67.34	1.00	100.00%
13	Distributes request to service rep.	Global	Provisioning Specialist	\$67.34	1.00	100.00%
14	Access SORD to place order using the appropriate screen for PIC and LPIC.	BCS	Service Representative	\$60.65	30.00	100.00%
15	End order and fills out the cover sheet to be sent to customer to verify completion of order. Confirmation of due date, order numbers.	BCS	Service Representative	\$60.65	2.00	100.00%
16	Access SORD, bring up error and review	BCS	Service Representative	\$60.65	1.00	5.00%
17	Correct error and resubmit order	BCS	Service Representative	\$60.65	3.00	5.00%
18	Fax cover sheet back to customer and file and/or email confirmation sent to customer.	BCS	Service Representative	\$60.65	3.00	100.00%
19	<b>Unit Activity Cost &gt; SUM (LN 10....18)</b>					<b>\$38.98</b>
<b>Change PIC/LPIC for "Signature Accounts" customer</b>						
20	Answer call and acknowledges customer request	BCS	Service Representative	\$60.65	0.50	100.00%
21	Clarify request, PIC/LPIC or both, negotiate telephone numbers where changes are to be made. Validate availability of carrier(s).	BCS	Service Representative	\$60.65	2.00	100.00%
	Review account for pending orders to determine impact.					\$2.02
22	Explain rights if customer alleges sim, issues correcting order to switch back, issues adjustments in BOSS & forwards to SCRT for follow-up.	BCS	Service Representative	\$60.65	4.50	90.00%
23	Recap all elements of the order & offer additional assistance: Note BOSS account, issued order to change PIC/LPIC from/to, due date & order number, release order.	BCS	Service Representative	\$60.65	0.50	100.00%
24	<b>Unit Activity Cost &gt; SUM (LN 20....23)</b>					<b>\$7.13</b>

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## Bill of Activity Costs

Bill of Activity Costs					
<i>Change PIC/LPIC for "Value" customer</i>					
25	BCS	Service Representative	\$60.65	0.50	100.00%
Answer call and acknowledges customer request.					\$0.51
Clarify request, PIC/LPIC or both, negotiate telephone numbers where changes are to be made. Validate availability of carrier(s).	BCS	Service Representative	\$60.65	2.00	100.00%
Review account for pending orders to determine impact.					\$2.02
Explain rights if customer alleges slam, issues correcting order to switch back, issues adjustments in BOSS & forwards to SCFT for follow-up.	BCS	Service Representative	\$60.65	4.50	90.00%
Recap all elements of the order & offer additional assistance. Note BOSS account, issued order to change PIC/LPIC from/to, due date & order number, release order.	BCS	Service Representative	\$60.65	0.50	100.00%
29	<b>Unit Activity Cost &gt; SUM (LN 25,...,28)</b>				<b>\$7.13</b>

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<b>Bill of Activity Costs</b>					
<b>Change PIC/LPIC for "Large Business" customer</b>					
30 Receive request from business customer via phone call	BCS	Service Representative	\$60.65	0.50	100.00%
Clarify request. PIC/LPIC or both, negotiate telephone numbers where changes are to be made. Validate availability of carrier(s).	BCS	Service Representative	\$60.65	2.00	100.00%
Review account for pending orders to determine impact.					\$2.02
Explain rights. Issues correcting order to switch back, issues adjustments in BOSS & forwards to SCRT for follow-up. (If customer alleges slam)	BCS	Service Representative	\$60.65	4.00	10.00%
Recap all elements of the order & offer additional assistance. Note BOSS account issued order to change PIC/LPIC from/to, due date & order number. Release order.	BCS	Service Representative	\$60.65	0.50	100.00%
34 Change request to non-SBC carrier. Take verbal request from customer. No LOA required	BCS	Service Representative	\$60.65	5.00	40.00%
35 Change Centrex GROUP - Issue M1031	BCS	Service Representative	\$60.65	10.00	60.00%
Issue SORD order to change the Centrex GROUP PIC/LPIC					\$6.07
Locate all accounts (access BOSS as needed), access account via SORD Mill type order & send order	BCS	Service Representative	\$60.65	3.00	60.00%
<b>Add or Change New Carrier - Issue SORD order Line by Line (without Freeze):</b>					
37 Access Account via SORD Mill, put in proper codes to pull up account with duplicate lines, determine what you can put on a single order to prepare for line limitations, type order, send order. Repeat PROCESS step for each 30 Centrex lines	BCS	Service Representative	\$60.65	1.00	100.00%
38 Issue ONE order for every telephone set (EBS-ISDN)	BCS	Service Representative	\$60.65	1.00	20.00%
39 <b>Unit Activity Cost &gt; SUM (LN 30,...,38)</b>					<b>\$14.56</b>

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**Bill of Activity Costs**

(A)	(B)	(C)	(D)	(E)	(F)	(G)
<b>Activities / Resources</b>						
Ln	<i>Provide Customer Account Record Exchange (CARE) support - All PIC and/or LPIC Changes</i>	Workgroup	Job Title	Unit Resource Cost (\$/hr)	Resource Driver Hours	Resource Cost
40	SBC - West CARE Support	CARE	Area Manager IN	\$73.25	10.40	\$761.80
41	SBC - West CARE Support	CARE	Manager OH	\$78.06	20.80	\$1,623.65
42	SBC - West CARE Support	CARE	Manager MI	\$65.89	8.32	\$548.20
43	ASC Call Group (IFOC)	ASC	Service Representative	\$58.07	15.60	\$905.89
44	ASC Collections (IFOC)	ASC	Service Representative	\$58.07	260.00	\$15,098.20
45	Unit Activity Cost > SUM (LN 40....44)					<b>\$18,937.74</b>
46	<i>Provide Customer Account Record Exchange (CARE) support - Mechanized PIC and/or LPIC Changes</i>	ASC	Service Representative	\$58.07	95.26	\$5,531.98
47	Unit Activity Cost > SUM (LN 46....46)					<b>\$5,531.98</b>
<b>Provide Stamping Administration support - All PIC and/or LPIC Changes</b>						
48	Consumer Support	SCRT	Service Representative	\$60.65	520.00	\$31,538.00
49	Business Support	SCRT	Service Representative	\$60.65	624.00	\$31,945.60
50	Unit Activity Cost > SUM (LN 48....49)					<b>\$63,383.60</b>